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PROPOSED LEGISLATION—WORKING FAMILY CHILD
CARE ASSISTANCE ACT OF 1989 AND HEAD START
AMENDMENTS OF 1989

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

DRAFTS OF CHILD CARE LEGISLATIVE PROPOSALS PREPARED BY
THE SECRETARIES OF THE TREASURY AND HEALTH AND
HUMAN SERVICES



MARCH 15, 1989.—Message and accompanying papers referred to the Committees on Ways and Means and Education and Labor, and ordered to be printed

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To the Congress of the United States:

I am submitting the enclosed child care legislative proposals prepared by the Secretaries of the Treasury and Health and Human Services for consideration by the Congress. I urge the Congress to act promptly on these important proposals.

The proposals, entitled the "Working Family Child Care Assistance Act of 1989" and the "Head Start Amendments of 1989," are a key part of my commitment to assist parents in making critical decisions about their children's care.

GEORGE BUSH.

THE WHITE HOUSE, *March 15, 1989.*

(1)



A BILL

To amend the Internal Revenue Code of 1986 to authorize a child tax credit and a refundable child and dependent care tax credit.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Working Family Child Care Assistance Act of 1989".

SECTION 2. CHILD TAX CREDIT.

(a) Subpart C of part IV of subchapter A of chapter 1 of subtitle A of the Internal Revenue Code of 1986 is amended by after section 32 adding the following new section:

(3)

"SEC. 32A. CHILD TAX CREDIT.

"(a) Allowance of credit. -- In the case of an eligible individual, for each qualifying child, there is allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to 14 percent of so much of the earned income (within the meaning of section 32(c)(2)) for the taxable year as does not exceed \$7,143.

"(b) Limitation. -- With respect to each qualifying child, the amount of the credit allowable to a taxpayer under subsection (a) for any taxable year shall not exceed the excess (if any) of --

"(1) the maximum credit allowable under subsection (a), over

"(2) 20 percent of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds \$8,000.

For taxable years beginning on or after January 1, 1991, 1992, and 1993, respectively, paragraph (2) shall be applied by substituting '\$9,000', '\$10,000', and

'\$11,000' for '\$8,000.' In the case of any taxable year beginning on or after January 1, 1994, paragraph (2) shall be applied by substituting '\$15,000' for '\$8,000'.

"(c) Definitions. -- For purposes of this section --

"(1) Eligible individual. -- The term 'eligible individual' means an individual who, for the taxable year --

"(A) is married (within the meaning of section 7703) and is entitled to a deduction under section 151 for a child (within the meaning of section 151(c)(3)) or would be so entitled but for paragraph (2) or (4) of section 152(e);

"(B) is a surviving spouse (as determined under section 2(a)); or

"(C) is a head of household (as determined under subsection (b) of section 2 without regard to subparagraphs (A)(ii) and (B) of paragraph (1) of such subsection).

The term 'eligible individual' does not include an individual who, for the taxable year, claims the benefits of section 911 (relating to citizens or residents of the United States living abroad).

"(2) Qualifying child. -- The term 'qualifying child' means an individual who, for the taxable year --

"(A) is a child (within the meaning of section 151(c)(3)) of the eligible individual;

"(B) with respect to which the eligible individual is entitled to a deduction under section 151 or would be so entitled but for paragraph (2) or (4) of section 152(e);

"(C) has the same principal place of abode as the eligible individual for more than one-half of the taxable year and such abode is in the United States; and

"(D) as of the end of the taxable year, has not attained the age of 4.

"(d) Married individuals. -- In the case of an individual who is married (within the meaning of section 7703), this section shall apply only if a joint return is filed for the taxable year under section 6103.

"(e) Taxable year must be full taxable year. -- Except in the case of a taxable year closed by reason of the death of the taxpayer, no credit shall be allowable under this section in the case of a taxable year covering a period of less than 12 months.

"(f) Coordination with section 36. -- For any taxable year, the credit provided in subsection (a) shall not be allowed with respect to a qualifying child if the taxpayer properly claims the credit allowable under section 36 with respect to such qualifying child.

"(g) Coordination with advance payments of child tax credit. --

"(1) Recapture of excess advance payments. -- If any advance payment is made to a taxpayer by an employer with respect to the credit allowable under subsection (a) during any calendar year, the tax imposed by this chapter for the taxpayer's last taxable year beginning in such

calendar year shall be increased by the aggregate amount of such payments.

"(2) Reconciliation of payments advanced and credit allowed. -- Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit (other than the credits allowed by subsection (a) and by section 36) allowable under this subtitle.

"(h) Inflation adjustments. --

"(1) In general. -- In the case of any taxable year beginning on or after January 1, 1995, each dollar amount referred to in paragraph (2) shall be increased by an amount equal to --

"(A) such dollar amount, multiplied
by

"(B) the cost-of-living adjustment determined under section 1(f)(3), for the calendar year in which the taxable year begins, by substituting 'calendar year 1993' for 'calendar year 1987' in

subparagraph (B).

"(2) Dollar amounts. -- The dollar amounts referred to in this paragraph are --

"(A) the \$7,143 amount referred to in subsection (a), and

"(B) the \$15,000 amount referred to in the last sentence of subsection (b).

"(3) Rounding. -- If any dollar amount after being increased under paragraph (1) is not a multiple of \$10, such dollar amount shall be rounded to the nearest multiple of \$10 (or, if such dollar is a multiple of \$5, such dollar amount shall be increased to the next higher multiple of \$10).".

(b) Effective date. -- The amendments made by this section shall apply to taxable years beginning on or after January 1, 1990.

SECTION 3. AMENDMENTS PERTAINING TO CREDIT FOR EXPENSES FOR
HOUSEHOLD AND DEPENDENT CARE SERVICES NECESSARY FOR

GAINFUL EMPLOYMENT.

(a) Section 21 of the Internal Revenue Code of 1986, (26 U.S.C. § 21) as amended, is hereby redesignated as section 36.

(b) Subsection (a)(1) of section 36 of the Internal Revenue Code of 1986 (as redesignated by subsection (a) of this section) is amended by striking out "chapter" and inserting in lieu thereof "subtitle".

(c) Section 36 of the Internal Revenue Code of 1986 (as redesignated by subsection (a) of this section) is amended by adding the following new subsection "(f)" at the end thereof:

"(f) Coordination with section 32A. -- For any taxable year, the credit provided in subsection (a) shall not be allowed with respect to any qualifying individual if the taxpayer properly claims the credit allowable under section 32A with respect to such qualifying individual."

(d) Conforming amendment. -- Subsection (b)(4)(A) of section 6211 of the Internal Revenue Code of 1986 (26 U.S.C. § 6211) is amended by striking "32 and 34" and inserting in lieu thereof "32, 32A, 34, and 36".

(e) Effective date. -- The amendments made by this section shall apply to taxable years beginning on or after January 1, 1990.

SECTION 4. IMPLEMENTATION OF EMPLOYER ADVANCE PAYMENT OF CHILD
TAX CREDIT

(a) Advance payment of child tax credit. -- With respect to remuneration paid after January 1, 1990, every employee entitled to claim the child tax credit provided in section 2 of this Act shall be entitled to receive from such employee's employer an additional payment in an amount and under such conditions as the Secretary of the Treasury shall by regulations prescribe.

(b) Regulations. -- The Secretary of the Treasury shall prescribe all such regulations as may be necessary to coordinate the provisions of sections 32A and 36 of the Internal Revenue Code of 1986 as added by this Act, and to coordinate the provisions for advance payment of the child tax credit with the provisions for advance payment of the earned income tax credit provided in section 3507 of the Internal Revenue Code of 1986.

(c) Effective date. -- The provisions of this section shall be effective on the date of enactment of this Act.

A B I L L

To authorize additional appropriations for the Head Start program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That this Act may be cited as the "Head Start Amendments of 1989".

AUTHORIZATION OF APPROPRIATIONS

Sec. 2. Section 639 of the Head Start Act (42 U.S.C. 9834) is amended by striking out "\$1,405,000,000" and inserting instead "\$1,485,000,000".

(12)

